

SALES AND USE TAX EXEMPTIONS FOR MANUFACTURING INPUTS BY STATE

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State	Sales and Use Tax	General Exemption	Machinery/ Equipment Exempt	Replacement Parts Exempt	Materials Exempt		Limitations
					Processing Materials/ Consumables	Ingredients/ Component Parts	
Alabama	✓	✓	¹		X	✓	Processing materials / consumables exemption applies to coal or coke used in manufacturing tangible personal property and fuel oil used for kilns in manufacturing establishments
Alaska							
Arizona	✓	✓	✓			✓	
Arkansas	✓ ²	✓	Limited	²		✓	For first time purchases, machinery exemption applies to new or expanding businesses
California	✓	³	³	³	X ³	³	Consumables must have an economic life of one year or more
Colorado	✓	✓	X	X		✓	\$500 minimum purchase price for machinery and parts to be exempt
Connecticut	✓	✓	✓	✓	⁴	⁴	

1. Alabama has a reduced state sales and use tax rate on manufacturing equipment (1.5%) compared to general state sales and use tax (4.0%).

2. Arkansas does not have a sales and use tax, but it has a gross receipts tax that has a similar effect except that the tax is levied on the seller rather than the buyer. Arkansas currently taxes parts at a reduced 4.875% rate but is phasing in a complete exemption by July 1, 2022.

3. California taxes up to \$200M of manufacturing purchases at a reduced rate of 3.3125%. Manufacturing purchases above \$200M are taxed at 7.25%.

4. Connecticut offers a 50% exemption from sales and use tax on processing materials/consumables and ingredients/component parts.

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Delaware							
Florida	✓	✓	X		✓	✓	Machinery exemption applies to machinery with a depreciable life of 3 years or more
Georgia	✓	✓	✓	✓	✓	✓	
Hawaii	✓						
Idaho	✓	✓	✓		✓	✓	
Illinois	✓	✓	✓	✓			
Indiana	✓	✓	✓		✓		
Iowa	✓	✓	✓	✓	X	✓	Fuels consumed by machinery in manufacturing process are exempt
Kansas	✓	✓	✓	✓	✓	✓	
Kentucky	✓	✓			X	✓	Processing materials exemption applies to tangible personal property that has a useful life of less than one year
Louisiana	✓						Political subdivisions are authorized to give exemptions, but it is not mandatory that they do so—there is no statewide exemption
Maine	✓	✓	✓	✓	✓	✓	

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Maryland	✓	✓	✓				
Massachusetts	✓	✓	✓	✓	✓	✓	
Michigan	✓	✓	✓		✓	✓	
Minnesota	✓	✓	✓	✓	✓	✓	
Mississippi	✓		5	5			
Missouri	✓	✓	✓	✓	✓	✓	
Montana							
Nebraska	✓	✓	✓	✓		✓	
Nevada	✓						
New Hampshire							
New Jersey	✓	✓	✓	?	✓	✓	Machinery exemption excludes parts with economic life of one year or less
New Mexico	✓ ⁶						
New York	✓	✓	✓	?	✓	✓	Machinery exemption excludes parts with economic life of one year or less

5. Mississippi has a reduced state sales and use tax rate on manufacturing machinery and parts (1.5%) compared to general state sales and use tax (7.0%).

6. New Mexico does not have a state sales and use tax, but it has a gross receipts tax that has a similar effect except that the tax is levied on the seller rather than the buyer.

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North Carolina	✓	✓	?			✓	North Carolina's Economic Development Partnership website says that there is an exemption for machinery. The provision of code appears to have been repealed.
North Dakota	✓	✓	Limited	Limited		✓	Machinery and parts exemptions only apply to new and expanding manufacturing plants
Ohio	✓	✓	✓	✓	✓	✓	
Oklahoma	✓	✓	✓	✓	✓	✓	
Oregon							
Pennsylvania	✓	✓	✓			✓	
Rhode Island	✓	✓	✓	✓	✓	✓	
South Carolina	✓	✓	✓	✓	✓	✓	
South Dakota	✓	✓				✓	
Tennessee	✓	✓	✓	✓	✓	✓	
Texas	✓	✓	X		✓	✓	Machinery exemption does not apply to machinery rented for a term of less than one year

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Utah	✓	✓	X	X		✓	Machinery and parts exemptions include machinery or parts with an economic life of three or more years
Proposal in 2018FL0422	✓	✓	✓	✓	✓	✓	Full exemption for machinery, parts, processing materials, and ingredients
Vermont	✓	✓	✓		✓	✓	
Virginia	✓	✓	✓	✓	✓	✓	
Washington	✓	X	X	X			Exemptions apply to machinery or parts with a useful life of one year or more
West Virginia	✓	✓	✓		✓		Exemption available as refund or through direct pay only
Wisconsin	✓	✓	✓	✓	✓	✓	
Wyoming	✓	✓	✓	✓	✓	✓	Machinery and parts exemptions expire on December 31, 2017
TOTAL	45	38	28	18	23	33	
2018FL0424			29	19	24		